



The Associated Press  
Palestinian soldiers in West Beirut training a SAM-7 missile on Israeli jet fighters conducting air raids on the city Saturday.



The Associated Press  
An Israeli Phantom jet falling in flames into the Bekaa Valley after it was hit by Syrian missile fire on Saturday afternoon.

## Europeans Seek to Circumvent Pipeline Ban

### Replacing Rotors Embargoed by Reagan Is Key Element

By Axel Krause

International Herald Tribune

ESSEN, West Germany — Inside an old, red-brick factory here where Krupp manufactured tanks until the end of World War II, a German worker Friday was putting finishing touches on a turbine that is one of five due to be delivered to the Soviet Union next month for the Siberian gas pipeline.

"This contract is very important to us, so we are proceeding with the order," said Hans Kerle, vice president of AEG-Kuma, the turbine subsidiary of the AEG-Telfunken group. He said that "if only we had the rotors, we could ship [the entire order] to the Soviet Union on schedule."

The Essen-based subsidiary of the AEG group is one of four European companies that have been under contract to supply 125 turbines and rotors for the pipeline under licensing agreements with General Electric Co. of the United States. Their export to the Soviet Union was banned by the Reagan administration last month.

While France, Germany, Britain and Italy have said they intend to honor their contracts with the Russians despite the embargo, it is not yet clear how they would accomplish this without the rotors. Out of the 125 rotors ordered, only 23 have been delivered by GE so far.

Mr. Kerle, reflecting tough-minded views being expressed by other German-based businesses, bankers and senior government officials, said that a plan he described as "a new European course" was emerging. Its aim is to circumvent the embargo if the Reagan administration does not ease its determination to ban the pipeline's construction.

Details Still Secret

Details of the plan remain secret, but they are being explored by the French, German, British and Italian governments and the companies. Together the companies — including AEG, France's Alsthom-Atlantique, Britain's John Brown and Italy's Nuovo Pignone — have contracts with the Soviet Union to deliver equipment worth more than \$3.4 billion, some of it starting next month.

In interviews last week, officials in several European capitals indicated that the plan involves arranging for the manufacture within Europe of the embargoed pipeline equipment, primarily the rotors, which are key components in industrial turbines.

The most promising candidate for building the rotors is Alsthom-Atlantique, which is controlled by Compagnie Generale d'Electricite, nationalized by the French government earlier this year.

Alsthom, which also has long-standing relations with GE, has a 400-million-franc (\$59-million) contract to supply the Russians with 40 spare rotors, starting in October 1983. But Alsthom is under a separate contract with GE to make the rotors, at its Belfort plant, eastern France.

"Between us, we have the technology and manpower in this area.

"If our governments agree, we certainly could push ahead in Europe, despite all the tensions, legal actions and other headaches this would cause us with GE and the American government, and which we would rather avoid," said a senior German executive who declined to be identified.

When the French government, including Alsthom, to execute their contracts with the Soviet Union, it immediately raised another important question: Could the

European partners, thus replacing GE?

In fact, Alsthom had exploratory talks with the three other European companies shortly after President Reagan announced the embargo on pipeline equipment last Dec. 29. But European government sources said the talks were suspended because Alsthom quoted prices for the rotors that the other companies found excessively high.

Alsthom has been readying its plant to manufacture the 40 spare rotors already ordered, but French and diplomatic sources said that this could be accelerated and the numbers expanded.

"Because of the legalities in-

volved and our good relations with GE, we do not think our supplying the others is a suitable solution, but if our government so decides, we shall comply," a senior Alsthom executive said. He added that "political considerations are clearly the dominating factors... It is up to our government to decide."

The plan would present immediate legal challenges to GE and Washington, but senior diplomats from NATO countries in Bonn said that the Europeans probably could try to make and deliver the equipment while legal challenges by Washington were fought out in the courts.

"It is not clear whether or not

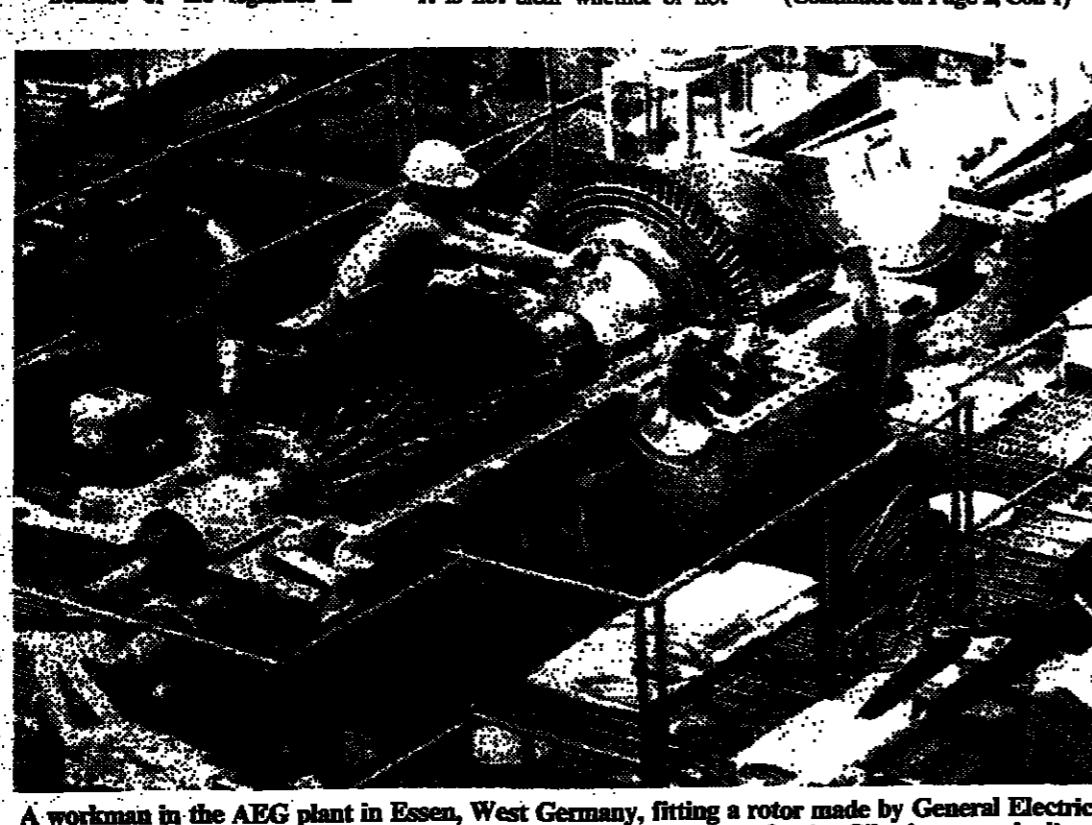
the U.S. embargo is legal, so there probably will be drawn-out legal hassling anyway; meantime, the Soviets could supply the Europeans with the pipeline even though they might also face invocation of penalty clauses by the Soviets over the delays," one of the diplomats said.

"There might be delays, but

clearly, if the French government decides to press Alsthom to replace GE, they will have no choice," a senior U.S. diplomatic official said Saturday, adding "there are plenty of other markets for turbines, such as those in the Middle East and Latin America."

Turbines for gas production rep-

(Continued on Page 2, Col. 1)



## Limits on Trade Could Hurt West More Than Russia, U.S. Study Says

By Dan Morgan

Washington Post Service

WASHINGTON — An internal State Department study has concluded that, contrary to the view of many in the Reagan administration, a sharp reduction in exports to the Soviet Union might be more costly to Western countries than to the Russians in its initial phase.

A summary of the findings, which "suggest caution in expecting significant, immediately visible damage to the Soviet economy from trade reductions," according to the State Department's Bureau of Intelligence and Research, was cabled to 27 U.S. missions last Monday. A copy of the message was obtained by The Washington Post.

The analysis covered only trade in manufactured goods, and omitted commodities such as grain, which the Russians buy from the West in large quantities.

Questions About Claims

It acknowledges that the impact on the Kremlin of sharply reduced trade might be "somewhat understated" because of difficulties in measuring "bottlenecks" caused by a loss of certain high technology items.

However, even with those cautionary phrases, the study raises important questions: Could the

effective way of impeding Soviet economic and military development.

The worldwide dissemination of the findings comes at a time when President Reagan is facing defiance by some West European governments over his efforts to block their participation in the building of the Siberian natural gas pipeline.

A key element of the president's argument is that the Soviet Union will suffer heavy losses from trade sanctions by the West.

In a speech delivered Friday at an international symposium in Maidstone, England, Lawrence J. Brady, the assistant secretary of commerce for trade administration, said, "There is little question that if the West exercises its collective will to enforce these sanctions, the entire Soviet bloc will find itself in very difficult straits throughout the rest of the decade."

However, the State Department study, drafted by William D. Miller of the Bureau of Intelligence and Research with the help of a detailed econometric model of East-West trade patterns, appears to question that view on several counts. The State Department said it would not comment on the study because it was classified.

The State Department conclusions appeared in some respects to conflict with a U.S. Census Bureau analysis released earlier this month. It suggested that there was "greater Soviet vulnerability to economic sanctions than has been understood up to now," mainly because of a sharp increase in Soviet exports for a continent.

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## INSIDE

The EEC has decided to seek a broad arrangement aimed at resolving its trade dispute with the United States over steel exports.

Transplantation of new cells into the human brain has been accomplished, reportedly for the first time. Tissue from the adrenal gland of a Parkinson's disease patient in Sweden was inserted into the core of his brain in an effort to reduce his symptoms.

Five hijackers seized a Chinese airliner on a domestic flight but were overpowered by crew members and passengers.

Chinese and foreign sources said. One of the hijackers detonated a grenade, injuring himself and his accomplices, but all passengers were reported safe.

U.S. Interior Secretary James Watt cautioned in a letter to the Israeli ambassador that U.S. support for Israel could be jeopardized if "liberals of the Jewish community" join with other U.S. liberals in opposing administration energy policies.

The White House disavowed the letter as "unfortunate."

Might Ease Pressures

"Over time," the analysis noted, "the newly industrializing countries might be able to offset much of the reduction in Western exports." The reduction might actually ease pressures on the Russians to complete the natural gas pipeline to Western Europe on schedule, because the Kremlin would need to earn less money from the sale of the gas in the West to pay for imports.

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# Moscow's Close Command of Economy Should Help It Resist U.S. Pressures

By Dusko Doder  
*Washington Post Service*

**MOSCOW** — Imagine an economy roughly two-thirds that of the United States and managed by a single board of directors. The board — in this case the ruling Soviet Politburo — can by a simple vote decide to concentrate all its vast resources on any given project.

As is probably the case involving the Siberian gas pipeline, a project may be assigned very high priority. However inefficient the Soviet economy may be, whatever its structural and technological shortcomings, the concentration of resources and talent makes it virtually certain that a pipeline to export Siberian natural gas to Western Europe will be completed on schedule.

The Russians still hope President Reagan will ease his ban on sales of American pipeline technology. Yet it seems clear that Moscow's ability to concentrate its economic power is one of the major obstacles to Mr. Reagan's efforts to force the Soviet Union into a switch of resources away from the military and possibly to exert significant pressure on the whole Soviet system.

## Europeans Seek Means To Avoid Pipeline Ban

(Continued from Page 1) resent a growing, multibillion-dollar market worldwide, which is now dominated by GE. According to German industry estimates, GE has around 21 percent of the worldwide turbine market, followed by the three European partners on the pipeline project — Nuovo Pignone with 13.2 percent, AEG-Kanis with 9.7 percent, Alsthom-Atlantique with 8.2 percent and John Brown with 8.1 percent. Other companies with less than 2 percent of the market include Japan's Mitsubishi and Britain's Rolls Royce.

If the plan materializes, senior U.S. and German officials said that it would not only present an immediate political and legal challenge to GE and the U.S. administration, but also a longer-range

threat to U.S. multinationals that have supplied technology and industrial equipment to Western Europe.

### 'More Than Pipeline'

"There is far more than the pipeline involved — U.S. business interests generally may get hurt badly," a German official said Friday, adding "the Reagan people do not seem to have understood this."

German Economics Minister Otto Graf Lambsdorff said in a speech in Atlanta last Thursday that the world has remained dependent on U.S. rotors, knowing that customers could "fall back upon American know-how at any time." But in light of the recent embargo, Mr. Lambsdorff said, "this is a thing of the past. ... There is no longer any reliance on unhampered deliveries."

Mr. Lambsdorff said that the only alternative for supplying rotors and other products made in the United States was in intensifying the search for European solutions, although he conceded "this is very costly, does not entail capacities of optimum size and is no doubt a worse solution than what so far has been current practice."

Putting it in blunter terms, a senior Düsseldorf-based banker said: "Reagan's attack on our industry is unacceptable, but you will see — we already are warning our clients about cooperating with U.S. firms in the future because of the new risks involved." The banker, who declined to be identified, added that "if we are vulnerable in Russia, we also may find ourselves embargoed in the Middle East, Africa, or Latin America, and this we cannot afford."

### Italy Backs Deal

ROME (AP) — The Italian government believes that Nuovo Pignone's contract to participate in the construction of the Soviet pipeline should be honored, the Foreign Ministry announced Saturday. It also called for "close consultations" on the controversial issue with countries of the European Economic Community.

"Our decision is slightly different from the French decision in that we are expressing our view and are not dictating a course of action for the company," said a source who asked not to be identified.

### Regan Says Time Will Mend Splits Over Pipeline Ban

*Reuters*

**WASHINGTON** — Treasury Secretary Donald T. Regan said Sunday that he did not think President Reagan's controversial sanctions against the Siberian gas pipeline to Western Europe would rupture the Atlantic alliance or backfire against the U.S. economy.

"I think this will be smoothed out, but it will take time to do it," Mr. Regan said. Italy and France have announced that they will defy the U.S. ban on sales of equipment for the pipeline, and other countries, such as Britain and West Germany, have indicated their willingness to ignore the sanctions.

Mr. Regan said in a television interview that the Reagan administration was determined to do all it could to keep the Soviet economy from expanding.

European and U.S. firms have argued that the sanctions would cost them millions of dollars in lost business and do little to stop Moscow from completing the project. Some administration critics have also said that the ban might hurt U.S. businesses that had lucrative contracts to supply parts for the pipeline.

But Mr. Regan said, "It will have a minor effect on the economy, but nothing severe, nothing substantial."

### 304 More Vietnamese Sail Into Hong Kong

*The Associated Press*

**HONG KONG** — Two boats carrying 304 Vietnamese refugees sailed into Hong Kong on Sunday, a government spokesman reported. He said it was the largest group of Vietnamese to arrive here this year.

Under a bill passed earlier this month, all Vietnamese refugees arriving in Hong Kong are confined to closed camps.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

Radio Monte Carlo

routez la radio qui vous écoute

## Suspense High at State as Shultz Picks Aides

By Bernard Gwertzman

*New York Times Service*  
WASHINGTON — George P. Shultz' first week as secretary of state has ended in suspense for most of the top officials at the State Department. The officials are not only uncertain about many key policies but, more to the point, they are also uncertain about their own futures.

As a result, conversations at the department these days often begin with "What have you heard?" And more often than not, the answer is "Not much." Rumors that various assistant secretaries of state are facing the axe are swirling through the building.

In the short time that he has been at the State Department, Mr. Shultz has displayed two characteristics. One is a fondness for chewing over policy questions and looking for answers that go beyond tactical day-to-day considerations. The other is a stress on the importance of personnel. As a veteran of the Washington scene as well as a specialist in labor and management, Mr. Shultz recognizes

the importance of having the right people on the job.

After he was in office one day, he asked Walter J. Stoeszel Jr., deputy secretary of state, to retire a few months ahead of time to make way for Kenneth W. Dan, Mr. Shultz' longtime collaborator, in the No. 2 State Department job. Everyone at State knew that Mr. Stoeszel, one of only three career ambassadors in the Foreign Service, would be leaving by the end of the year, but the swiftness of the move took the department by surprise and seemed bit brutal to some of Mr. Stoeszel's admirers. It had the effect of increasing speculation that many changes would soon follow.

Those officials most closely associated with former Secretary of State Alexander M. Haig Jr. seem the most in jeopardy because Mr. Haig combined his resignation with criticism of the way the White House managed foreign policy. And while the White House cannot retaliate against Mr. Haig, it can always punish his former aides.

Within days of Mr. Haig's departure, some reporters were in-

formally asked by a highly placed administration official for their advice on a new spokesman "in case Shultz wants one." Dean E. Fischer, the State Department's spokesman and one of Mr. Haig's closest aides, subsequently told Mr. Shultz that he intended to return to private life, and Mr. Shultz made no effort to change his mind. Mr. Fischer, a former editor for Time magazine, is staying on until his replacement is found.

Another of Mr. Haig's confidants, Richard R. Burt, is dangling in uncertainty. One month before Mr. Haig resigned, the White House announced that Mr. Burt was being nominated for assistant secretary for European affairs, one of the most prestigious posts in the department. But the formal nomination papers have not been sent to the Senate, and rumors are rife that Mr. Burt, a former reporter for The New York Times, will be asked to leave. He is working as acting assistant secretary.

Rumors have suggested that Thomas O. Enders, a career diplomat with European experience



George P. Shultz

who now heads the Latin America bureau, might replace Mr. Burt.

One of Mr. Haig's chief aides who is staying, however, is Lawrence S. Eagleburger, the No. 3 man in the department, who is regarded as virtually indispensable for running the building during the transition.

One result of Mr. Shultz' coming to the State Department has been the elevation of Henry A. Kissinger to a kind of supreme outside adviser. Mr. Shultz has known him for years, dating back to the Nixon years.

Mr. Kissinger is to be Mr. Shultz' house guest in Palo Alto, Calif., on Sunday night, having spent the weekend at Bohemian Grove, the private retreat north of San Francisco, where they will have mingled with giants of business and industry, as well as

Chancellor Helmut Schmidt of West Germany and Prime Minister Lee Kuan Yew of Singa-

position in the area. Iran and Iraq are by far the two most populous countries on the Gulf, and the smaller monarchies historically have sought to preserve a balance of power between them.

For the moment, therefore, the apparent bogging down of the Iranian offensive has allowed the Gulf states to bide their time and hope that both sides will tire of fighting and reach a balance-prevention settlement.

If Iran routs the Iraqi Army, however, the Gulf states would feel much less comfortable, the sources say. The Iranians conceivably would be in a position to march on either Kuwait or Saudi Arabia.

A U.S. official said chances of that were remote, especially given the failure of the Iranian invaders so far to penetrate very deeply. If Iran did threaten to invade, the official said, the Gulf states would look first for support from fellow Arab nations, but the United States might also be asked to provide support for its friends' air defense.

The Gulf states' caution about criticizing Iran's invasion contrasts with sharp condemnations by two other Arab moderates, Jordan and Egypt. Jordan has been Iraq's strongest ally in the war, and it called up some reserves after the invasion. Egypt quickly announced a new arms shipment to Iraq.

**No Open Condemnation**

Since Iranian troops pushed into southeastern Iraq on July 13, Saudi Arabia and other conservative states have avoided condemning the invasion. In a message Friday, King Fahd of Saudi Arabia called for peace between Iran and Iraq but did not mention Iran's thrust across the border.

This silence is noteworthy because the Gulf states have backed Iraq through most of the war both with statements of support and financial aid of up to \$20 billion.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Shultz and Leadership

From THE NEW YORK TIMES

There is predictable news from Poland: Gen. Jaruzelski is not about to let Solidarity come back to life; he is consolidating his martial law regime, easing up slightly in ways that only prove his control, keeping Lech Wałęsa and the most troublesome rebels under arrest and releasing only those whom he expects to stay docile.

The pope has been disinvented and told to apply again next year, by which time martial law might reign under a different name. The general blames Ronald Reagan for the slow pace of the normalization; hostility and sanctions only prolong the rule of the gun.

There is predictable news from Paris, too: Europeans are not about to join Reagan's crusade for Polish freedom with sanctions that injure their own economies. They think delaying the Soviet gas pipe to the West is a late, feeble gesture against the Polish crackdown. They think it is bizarre and illegal for President Reagan to try to compel American companies and their European licensees to renege on legal contracts for pipeline equipment. If he is so eager to punish the Russians, the allies ask, why not put his own economy at risk by canceling grain sales?

The incredible conclusion to be drawn from all this is that a major crack in the Soviet bloc has become the occasion for nearly as big a crack in the West. The French foreign minister speaks of a "progressive divorce" between Europe and America; West Germany, Britain, and Italy nod assent. Whatever the costs of their tyranny in the East, the Russians are reaping a political bonanza in the West. They are routing Reagan at his own game of economic cold war.

So now what, George Shultz? Although he dutifully endorsed President Reagan's approach in public, the secretary of state, an economist, knows what a muddle the president has made of Soviet policy. His sound

private advice will doubtless run like this: The objective of the United States in Poland, as in the Soviet Union, cannot be to topple Communist power. It has to be coexistence, with norms of conduct that can be defined by agreement and reinforced with economic incentives. In that spirit, the arms race can be contained. The use of force abroad may be discouraged. The nature of Communist government can, to some extent, be made more humane. Only on such a platform will the allies be persuaded to hang together.

Economic pressure can help if skilfully deployed. The Russians will pay any price to defend vital interests; but they will modulate their action, even in Poland, out of respect for Western reaction. However, these pressures will backfire unless applied in unison.

It is right to oppose easy Western credit and trade terms that subsidize the Soviet military, the invasion of Afghanistan, the suppression in Poland. But the allies, like Kansas farmers, do not thus deal with adversaries out of altruism. They hunger for markets and will deny themselves only for well-defined, shrewdly led political efforts.

Poland proves that cheap and unwise loans are foolish gifts, risking bankruptcy at home as well as in Warsaw. The easy credit poured into the pipeline is further proof that bankers and private industries cannot coordinate trade with diplomacy. Credit is the one commodity that capitalist governments should control directly and parcel out for political objectives. But for that they must take charge of their bankers, agree on objectives and arrange to share sacrifice fairly.

The paradox of cold war sanctions is that they are useless without sincere negotiation, first among the allies, then with Moscow. It is too late to resuscitate Poland's Solidarity or to stop the pipeline. It is never too late to temper anger with reason.

## El Salvador Needs Aid

From THE WASHINGTON POST

Two wars ago, before the Falklands and Lebanon, El Salvador was at the hot center of American foreign policy debate. The political calendar is reviving the issue: It's aid time. President Reagan must certify by the end of July that El Salvador is making progress on human rights and reforms, and Congress must then decide on amounts and terms.

Let us go to the particular issue, land reform, that events have made a fair surrogate for other issues of concern. When last heard from, land reform was being done in the assembly elected in March. An aroused Congress was threatening to cut aid. And now?

It helps to ask why the new Salvadoran assembly started hacking at phase three of a reform whose first phase (taking over big farms) remains intact and whose second phase (medium farms) was stillborn under the previous Duarte government for lack of funds. Phase three was to give "land to the tillers" — pieces of land under 17 acres to renters and sharecroppers. The Duarte government, however, finding a huge hitch, discreetly suspended "Decree 207." Farmers would not work for wages, waiting to rent so they could take title, and owners would not rent, knowing they would lose title, and as a result production plummeted.

The new post-election president, the pro-reform Alvaro Magaña, thought to slip this production noose by formally suspending 207

for one crop cycle on land for cotton and sugar, which are export crops. The anti-reform assembly, however, mischievously added cattle and cereal land. Seeing reform falter, Congress took the aid knife in hand.

What Congress missed is the sequel: Salvadorans reacted strongly, some in anger, some in relief, to the aid threat. Both the law and administrative procedure were clarified and titles are again being distributed, although performance is erratic. The basic point remains that the reform is now accepted and newly protected not just by the executive branch, which was put in place by the pro-reform army leadership, but also by the same assembly that had earlier impeded progress.

There is too much blood in El Salvador, and too much backwardness. There are good people in and around the government, and some weak and corrupt people. Anyone hunting for evidence on which to flog El Salvador can easily find it.

It seems to us vital, however, to try to understand how hard it is for a poor, underdeveloped country racked by war and revolution to demonstrate to the satisfaction of other countries that it is modernizing with sufficient speed. Success cannot be guaranteed for the effort by the United States to nourish democracy and reform in El Salvador. Failure can. All you need to do to guarantee failure is pull the plug on aid.

## Other Editorial Opinion

### Moscow Must Be Laughing

It is far from unreasonable to argue that the main thing holding Poland back from civil war and the rolling in of the Soviet tanks is the hope of gradual economic and political improvement. So, has Jaruzelski shown that he deserves encouragement for his success in keeping Moscow quiet? At this point the answer is probably a reluctant yes.

What Jaruzelski has not done, though, is to give President Reagan a face-saving reason to reverse his pipeline veto. Indeed, it looks as though the Americans are more determined than ever to make sure Europe gets nothing out of that deal — a decision that has less and less to do with superpower confrontation and more and more to do with the growing intra-alliance trade war. Moscow must be laughing, and even Warsaw smiling wryly.

— The Sunday Times (London).

### Limited European Solidarity

Having so long deplored their lack of unity, their powerlessness to organize or even just to support, for instance, that a new and more solid European structure is going to rise from the ruins of Atlantic unity.

In the first place, the alliance has survived past crises that were even more serious, for example after rejection of the European Defense Community or France's withdrawal from the integrated military command.

Secondly, it is not certain that the solidarity being shown at present could stand up to pressures from Washington if these were to be sufficiently energetic.

Lastly and above all, it would take much more to elicit the political will [whose absence] has blocked the building of Europe. The reaction provoked by the American measures confirms nothing more — as Michel Jobert put it in the newspaper *Le Matin* — than that "Europe exists, however feeble politically, as an economic reality."

In other words, the Europeans oppose Washington's decisions because they affect European pocketbooks, and not because they run up against clearly affirmed determination as regards relations with the Soviet Union — which are the main subject of debate in appearance only. On this there is scarcely more harmony than previously among the soft-liners in Bonn, who remain attached to détente, the hard-liners in London and the semi-hard-liners in Paris.

— *Le Monde (Paris)*.

### JULY 26: FROM OUR PAGES 75 AND 50 YEARS AGO

#### 1907: Japan Controls Korea

#### 1932: Gorgulov's 'Political War'

SEOUL — The governments of Japan and Korea, by Marquis Ito and the premier, Yi Wan Yong, have consummated a new treaty under which Japan is given complete control of the administration of Korean affairs. The premier's authorization to sign was duly sealed by the new emperor. Japan is given practically the same power over the internal administrations that she exercises over external affairs, the difference being that while in Korean foreign relations Japan uses her own governmental machinery, in the internal administration the machinery of the Korean government is preserved. The new treaty formally recognizes the Residency-General.

However, it would be a mistake to overesti-

mate the significance of this "rebellion" or to suppose, for instance, that a new and more solid European structure is going to rise from the ruins of Atlantic unity.

PARIS — Pavel Gorgulov, Russian political fanatic, who shot and mortally wounded President Paul Doumer on May 6, is on trial.

The verdict rests on two counts: Whether Gorgulov is guilty of voluntary murder; whether the murder was premeditated. If found guilty on both counts, he will be guillotined.

In court, the burly Russian gave vent to an outburst of self-justification to convey the meaning of the "creed" for which he now "gladly laid down" his life. "When I came to France," he said, "and saw a people living in plenty, and thought of the 5 million Russian peasants groveling out their lives, I knew that political war alone could alter the world."

— *Le Monde (Paris)*.

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# With Summit Nearing, OAU Future Is Clouded By Split Over Polisario

By Alan Cowell  
New York Times Service

NAIROBI — The Organization of African Unity begins preparations for its annual summit this week, looking back on a year of division and ineffectiveness that threatens its survival as the credible spokesman for a continent.

The organization is also confronted with an uncertain year ahead under the chairmanship of Libya's unpredictable Col. Muammar Qaddafi, who will assume the position during the summit, to be held in Tripoli.

African foreign ministers open their preparatory discussions in Tripoli on Tuesday, and the summit proper will begin Aug. 5. The foreign ministers had been scheduled to begin meeting Monday, but Edem Kodjo, OAU secretary-general, announced Sunday in Tripoli that that meeting had been postponed until Tuesday. He gave no reason for the postponement.

The foreign ministers will try to come up with ideas to resolve the most disastrous split in the OAU's 15-year history.

The rift opened in Addis Ababa in February, when 26 African nations decided at a foreign ministers' meeting to admit the Polisario front, representing Western Sahara, as the OAU's 51st member.

The decision prompted a boycott of the gathering by 19 states under the leadership of Morocco, which administers the Western Sahara and is fighting a war against the Polisario insurgents.

## Question of Sovereignty

The decision to admit Polisario raised the question of whether the Polisario guerrillas fulfilled OAU membership criteria requiring newcomers to be sovereign in their own lands.

It also prejudged the OAU's own policy toward the Western Sahara, formulated during last year's summit in Nairobi, calling for a referendum to allow the people of the region, formerly the Spanish Sahara, to decide for themselves how they want to be ruled.

The decision prompted such a fierce division in the organization that two subsequent meetings of

OAU ministers were disrupted by boycotts.

The crisis is bound to come to a head in Tripoli because the OAU's rules require a quorum of two-thirds of its membership for any meeting to be legal. Morocco and at least 11 other countries have indicated they will not attend the summit, and the Rabat authorities are leading a campaign to prevent a quorum from being formed in Tripoli. A quorum would be formed by 34 states.

## Kenyan Expects Quorum

Robert Ouko, the Kenyan foreign minister, said before leaving for Tripoli that he believed the foreign ministers' preparatory meeting would form a quorum.

But if the foreign ministers then are unable to make progress toward a settlement, there is a question about whether the heads of state can.

And a failure to do so would mean at least the temporary collapse of the OAU, Western diplomats said. It would also crown a year of embarrassments for the OAU's current chairman, President Daniel Arap Moi of Kenya.

The main initiatives undertaken during Mr. Moi's leadership have been on the Western Sahara and on Chad, where the OAU deployed its first peacekeeping force. The presence of the 3,500-man army was not enough to enforce a political settlement, or to prevent rebels from overrunning the Chad capital, N'Djamena, and forcing President Goukouni Oueddei to flee.

Some Western diplomats have blamed the organization's failures this year on the ponderousness and indecisiveness of the Kenyan chairmanship. But that assessment ignores a fundamental weakness in the OAU: Like other international bodies, it lacks an effective, institutional form of censure against those of its members flouting its directives and thus has little power beyond appeals to good will, reason and African solidarity.

## Agreement on Broad Issues

The OAU was created in 1963 as a symbol of an emergent continent's aspirations toward a pan-Africanism that would prove a stronger force than the colonialism in new rulers were replacing.

But the organization increasingly resembles a collection of sovereign nations whose interests coincide only on broad issues, such as abhorrence of white minority rule in South Africa.

African diplomats said the organization's credibility is in stock in trade and that credibility is now in jeopardy. Nigeria, in particular, has embarked on a diplomatic crusade to save the Tripoli summit, the diplomats said.

**Qaddafi's Aspirations**

Col. Qaddafi, too, has a big stake in the success of the Tripoli summit, for leadership of the African body. Western diplomats in Tripoli said, would fulfill his yearning for international recognition.

Tripoli was nominated as the venue for the forthcoming summit at last year's Nairobi gathering, and since then, the diplomats said, Col. Qaddafi has sought to display good faith toward Africa, notably by withdrawing his troops from Chad last December when the N'Djamena government requested the pullout.

But there are other omens. Uganda recently accused Libya of training the guerrillas who are fighting against President Milton Obote's government. Libya denied the charges.

And Libya reportedly is helping fund the Ethiopian-based Somali Democratic Salvation Front, an insurgent group opposed to President Mohammed Siad Barre of Somalia.



Rubble from flash flooding swept through Nagasaki, Japan, burying people, cars and homes.

## 196 Dead, 187 Missing in Japan Floods

**Reuters**  
TOKYO — Severe floods in southern Japan have killed 196 persons, police officials said Sunday, and 187 others are missing.

Workers recovered bodies that had been buried in landslides or washed away into the sea after torrential rains hit Friday and Saturday.

The area worst hit was the city of Nagasaki, where 166 persons are known to have died, the national police agency said. Telephone and land communications with the city and nearby towns remained disrupted.

Almost 30,000 homes were flooded as the rain drenched the area and caused the Nakashima River to burst its banks.

Police officers were seeking more bodies in collapsed houses and used nets to recover others that had been washed out to sea.

A total of 22 inches of rain (545 millimeters) fell in 40 hours, setting off hundreds of landslides. At one stage, the rain was falling at the rate of four inches an hour.

Electricity, gas, telephone and transportation services were cut throughout the island of Kyushu, where Nagasaki is located.

Sunday, heavy rain was spreading northeast toward Tokyo.

The Nagasaki deluge occurred at the end of the summer rainy season.

A similar disaster occurred in July, 1957, when 856 persons were killed in Isahaya, which is near Nagasaki.

In the latest storm, many houses were crushed or swept into the river and bridges were destroyed or damaged. Thousands of people were evacuated.

## Key Zimbabwe Air Base Attacked; Nkomo Backers Abduct 6 Tourists

**Compiled by Our Staff From Dispatches**  
HARARE, Zimbabwe — Zimbabwe's main air force base was attacked Sunday and a number of aircraft were damaged, a government statement said.

"In the early hours of Sunday, entrance was gained into the security area of Thornhill Airport Station, Gweru, where a number of aircraft were damaged. An Air Force of Zimbabwe board of inquiry with the assistance of police is being conducted," the government statement said.

The statement gave no further details. The base was sealed off by troops and police.

Most of the major air attacks launched by the white Rhodesian regime during the country's guerrilla war before independence came from Thornhill, outside the town of Gweru.

It was the second major attack on a Zimbabwean military installation since white-ruled Rhodesia was black-ruled Zimbabwe two years ago. Last August, explosions destroyed munitions dumps at Imoko barracks near Harare, then known as Salisbury. The government blamed South African agents.

Four months later a bomb wrecked the headquarters of Mr. Mugabe's party, killing six persons and wounding 150. No arrests are known to have been made. Late last month gunmen fired on guard at the gates of Mr. Mugabe's official residence in Harare, formerly Salisbury.

Gweru is halfway between the capital and Bulawayo, the principal city in Matabeleland province, the tribal stronghold of Mr. Nkomo's party, where former guerrillas loyal to the opposition leader have been accused of campaigning against the government.

A dawn-to-dusk curfew was imposed Sunday on western Zimbabwe as paratroopers, police with tracker dogs, and planes searched for the gunmen who abducted two Americans, two Australians and two Britons on Friday. Anyone who violates the curfew can be shot on sight.

British and U.S. consular officials were sent to Bulawayo, 40 miles (64 kilometers) south of where the foreigners' safari was halted by a roadblock of fallen trees on a main highway.

The gunmen, armed with AK-47 assault rifles, fired at the truck in which the party of 10 foreigners was traveling. No one was hurt. The gunmen then released the tour leader, Bruce Watkins, 35, of New Zealand, with a message to Bulawayo police that the hostages would be slain unless jailed followers of Mr. Nkomo were freed within a week.

The gunmen, described by the government as dissidents — official terminology for the hundreds of soldiers loyal to Mr. Nkomo who deserted the army after he was fired — also released the three women in the party.

Mr. Watkins, the tour guide employed by London-based Encounter Overland, said the message he took to the Bulawayo police demanded the release of "political prisoners," without elaboration.

At least 200 people, many of them former guerrillas and supporters of Mr. Nkomo, have been detained without charge since Mr. Nkomo was fired.

The circular, issued by Leila Doss, assistant secretary-general for personnel service, said, "A large number of professional, general and field service staff will be required from the United Nations and member organizations."

Mr. Doss said the primary duty of the group will be the "supervision and control of free and fair elections in Namibia" for a constituent assembly to draw up a constitution. The group, which would start work as soon as a cease-fire is called, is to have both civilian and military components operating under a special representative of the secretary-general.

UN police units would operate under the civilian component in cooperation with local police. The commander of the military force would be responsible to the special representative. The representative would have to coordinate his activities with those of the South African administrator, who, with his own staff, would remain in the territory until independence was declared.

About 60 customers, mostly tourists, were in the Pub Saint-Germain when the bomb went off, blowing out the toilets and a telephone booth. One woman was hospitalized and the other treated at the scene; neither was seriously hurt.

A caller identifying himself as a member of an Armenian group called Orly, which had also claimed a cafe bombing earlier in the week, told the news agency Agence France-Presse that Tuesday, injured 16 persons. Also Tuesday, two Paris business with links to Israel were bombed, causing some damage but no injuries, and explosives were found.

Besides overseeing elections, the circular says, the UN group is to see that "all discriminatory laws and practices" are overruled, political prisoners released, refugees permitted to return "and intimidation of any kind from any quarter" prevented.

The circular says that all this is to occur by the time of the election, about seven months after a cease-fire.

On Friday, a Palestine Liberation Organization official was killed in a car-bombing in Paris. The earlier cafe bombing on Tuesday, injured 16 persons. Also Tuesday, two Paris business with links to Israel were bombed, causing some damage but no injuries, and explosives were found.

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On Friday, a Palestinian

# Yellowstone Officials Fear Effect of Oil Rigs

**New York Times Service**  
HELENA, Mont. — Officials at Yellowstone Park are apprehensive about recent leases for oil and gas exploration that cover 25,000 acres at the park's western boundary. They fear damage to Yellowstone's wilderness and, particularly, to its grizzly bears.

The areas where the 10-year leases were sold to developers for \$1 each is the "heart" of bear country," said Thomas Hobbs, the chief ranger, who is responsible for protection of the park's resources. He said biologists feared that drilling in the lease area might disrupt the bears' eating and denning habits.

A spokesman for the U.S. Forest Service, which oversees the management of oil and gas development, rejects the biologists' fears, saying that stipulations on the leases, which were sold in 1980 and 1981, will protect the natural features of Yellowstone, a park of 3,458 square miles (8,990 square kilometers).

Mr. Hobbs noted that the bears were protected under the Federal Endangered Species Act. Yellowstone Park harbors nearly 400 grizzlies of the total national population of fewer than 1,000. Only Glacier National Park in Montana and its environs have more grizzlies.

#### Drainage Concerns

Park officials are also concerned about the water supply. The only drainage slope outside Yellowstone that drains into the park is near the lease area, Mr. Hobbs said. If oil spilled into a creek, he said, it could pollute park fisheries and cause long-term damage.

He is also worried lest the "sight, smell and sound" of oil and gas drilling as close as half a mile to the park's boundary mar the experiences of visitors.

The leases run north from West Yellowstone, Mont., on a high plateau that is heavily forested and has occasional open meadows. This area of the Gallatin National Forest is an important range for elk and moose, as well as a habitat for grizzly bears.

#### No Impact Statement

Buster LaMoure, director of the minerals and geology division of the Forest Service's northern region office in Missoula, a former oil-well driller, oversaw the sale of the leases. He believes that environmental concerns have been adequately addressed.

Mr. LaMoure said an environmental assessment was prepared to decide whether an environmental

impact statement was warranted and the Forest Service decided it was not. Nonetheless, he said, the Forest Service had placed "so many restrictions on the leases that I wonder why the leases even took them."

The restrictions protecting the environment stipulated when and where those holding the leases might drill. "In order to protect the grizzly, for example," Mr. LaMoure said, "we prohibit drilling when the bear is feeding or denning."

To protect the wilderness quality of the area, he said, drilling rigs may not occupy the surface closer than half a mile from the park.

The leases were sold by the Bureau of Land Management to a number of developers and small oil companies. They cover part of the mountain belt, a geologic formation along the front range of the Rockies that has recently yielded much oil and gas, especially in Colorado, Wyoming and Alberta, Canada.

## U.S. May Ease Alligator Protection As Overpopulation Creates Concern

*Washington Post Service*

WASHINGTON — The Interior Department is reviewing its rules for protecting alligators, now that their numbers have begun to swell.

"We're looking at the commercial aspects of the alligator world," said Larry LaRochelle, a biologist for the department's Fish and Wildlife Service. He said the agency is considering allowing the export of alligator meat and eliminating federal permits for the alligator trade in states that have adequate permit systems of their own.

Over the past few years the Interior Department gradually has relaxed its regulation of the alligator trade, an industry that was almost wiped out in the mid-1960s when the government placed the alligator under the protection of the Endangered Species Act.

At that time, conservationists feared that the popularity of alligator handbags, belts and shoes would lead to the animal's extinction.

By the mid-1970s it appeared that the protection programs had worked too well. Communities in Florida, Louisiana, Texas and South Carolina complained that there were too many alligators, and that they were showing up at golf courses, shopping malls and lawns.

The Interior Department already has removed alligators from the endangered species lists in Florida and Louisiana, and Texas has sought a similar change.

In 1980, the department allowed traders to export hides to other countries and to ship meat between states, if both states permitted the practice. Mr. LaRochelle said the policy has worked well. He said alligator farms are beginning to spring up as a way of providing a steadier supply of the animals.

## Whitney Foundation Scales Back Its Operations, Considers Closure

By Kathleen Teltsch  
*New York Times Service*

NEW YORK — The 36-year-old John Hay Whitney Foundation has radically scaled back its philanthropy since its founder's death in February, and its officials say they may eventually decide to close down.

The foundation's budget was small in comparison with the country's larger philanthropies. It made an unusually strong impact, however, in its attempts to identify potential leaders among minority groups and to provide them with the funds to continue their educations.

Frank S. Streeter, co-executor of the estate, said Mr. Whitney's will made no provision for perpetuation of the foundation. Consequently, the foundation's board of trustees, including members of the Whitney family, has been considering whether or not the New York-based philanthropy can continue operations, possibly with a new name and structure.

Mr. Whitney, a sportsman, investor and chairman of the board of the International Herald Tribune, amassed a \$250-million fortune and left the bulk of his estate to his wife, Betsy. She and two daughters, Kate Whitney and Sara Wilford, are members of the foundation's board.

#### Family Interest

"There is a family interest in exploring whether or not a continuing program can be developed, but no decision is expected to be made this year," Mr. Streeter said. Meanwhile, all those receiving grants have been phased out.

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Among a number of options, the trustees are said to be considering a program of grants in the fields of education and journalism, both of which were areas of interest to Mr. Whitney. During the course of his career, he owned 25 small newspapers, five television and six radio stations; formed a major film company; served four years as ambassador to Britain during President Dwight D. Eisenhower's administration, and was the last publisher of the New York Herald Tribune.

He did not create an endowment for the foundation, but financed its activities with grants. In the last decade, these gifts totaled about \$1 million a year, Mr. Streeter said.

"Without the foundation's aid, the progress made by Indians since the Second World War would not have been achieved," said Prof.

Vine Deloria Jr. of the University of Arizona. "The major leadership personalities of the last two decades have been former successful Whitney scholars."

Traditionally, foundations assisting disadvantaged communities prefer to give funds to organizations with records of accomplishments. Mr. Whitney was one of the first to depart from this practice by giving grants to individuals working with the poor, according to Leeds P. Manning, executive director.

## Betty Parsons, Dealer In American Art, Dies

*New York Times Service*

NEW YORK — Betty Parsons, 82, the adventurous New York art dealer whose midtown gallery played a major role in the development of the New York School of painting in the late 1940s and early 1950s, died of a stroke Friday in her studio in Southold, N.Y.

Mr. Parsons was one of the pioneering dealers in American art. When there was a small market and little interest in new American painting, she promoted the work of many of the artists who would establish the reputation of American art around the world.

He became publisher after his father's death on June 23, 1955. He retained the publisher's post after the newspaper was sold to Capital Cities Communications Inc. in 1975. He was a director of Capital Cities at the time of his death. Mr. Carter also was a director of American Airlines and a director of the Texas Rangers baseball club.

#### Joseph (Wingy) Manone

LAS VEGAS (NYT) — Joseph (Wingy) Manone, 82, a New Orleans-born jazz trumpeter and singer, died July 9 in Las Vegas. His swinging version of the ballad "The Isle of Capri" was one of the most popular recordings of the 1930s.

#### Philip Shorin

NEW YORK (AP) — Philip Shorin, 85, a founder and chairman emeritus of Tops Chewing Gum Inc., died Saturday in Bal Harbour, Fla., the company announced. Mr. Shorin and his three brothers — Abram, Ira and Joseph — built a publicly held company with worldwide sales by marketing penny bubble gum. They also sold Tops baseball bubble gum cards and similar cards for professional football, basketball and hockey in an effort to diversify the company's product line.

#### Soviet Dissident Ends Fast

*Reuters*  
MOSCOW — Marian Bagdasar, 19, a Soviet Georgian dissident, has ended a 32-day hunger strike after winning the release of her father from prison, friends said Saturday. She had maintained that her father was victimized by authorities to put pressure on her to end her human rights activities.

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## BUSINESS / FINANCE

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## Steep Discounts Mark New Issues on Market

By Carl Gewirtz

*International Herald Tribune*

**PARIS** — It should have been a banner week in the Eurobond market last week. More than \$1 billion worth of new issues were launched after the Federal Reserve announced a less tight monetary policy by cutting its discount rate on Monday by half a point to 11 percent.

But the underlying optimism and heavy volume did nothing for bankers' profits as nearly all of the new issues were quoted at steep discounts, often below the total commissions earned for underwriting the offers.

Virtually all of the issues were marketed with terms anticipating a further improvement in market sentiment. However, even the joy that Henry Kauffman, chief econo-

Eurobond Yields		
For Week Ended July 21		
Int'l. Inst. 1-year U.S.	14.75%	
Int'l. long-term U.S.	14.25%	
Int'l. medium-term U.S.	14.44%	
Can. 5-month term	17.76%	
French 5-month term	16.76%	
Int'l. Inst. 1-year yen	8.33%	
EUROBOND TERM	13.67%	
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Int'l. Inst. 1-year F.L.	11.99%	
F.L. long-term	17.22%	

Calculated by the Luxembourg Stock Exchange

## Market Turnover

For Week Ended July 22  
(Billions of U.S. dollars)

Total 6,127.5 5,632.7 598.8

Eurobonds 7,348.2 6,977.0 591.2



Caterpillar Tractors have a long wait at plant in Peoria, Ill., before being exported.

## Cat Fights to Get Back on Tracks

By Mark Potts

*Washington Post Service*

**PEORIA, IL** — Like a bulldozer that has unexpectedly hit granite in a sandpile, Caterpillar Tractor Co. has run into hard times.

The only concession managers made to the market was a no-call feature for Nova Scotia, New Brunswick and Canada.

The other issues offered were:

Nacional Financiera of Mexico \$30 million of three-year paper bearing a coupon of 18 percent.

This will be followed this week by Telefonos de Mexico, a 51 percent government owned monopoly, which will sell up to \$75 million of 15-year paper which investors can redeem at par over three years. Based on the success of the United Mexican States and Nations, managers expect to put a coupon of 13 1/4 percent on Telefonos.

• Banque Indosuez of France, \$60 million of seven-year notes bearing a coupon of 15 1/4 percent.

The issue price will be fixed on Thursday but it was quoted on a when-issued basis at a discount of 13 1/4 points.

• Southern California Edison, \$50 million of 15-year bonds convertible into the utility's common stock at an expected 5 to 10 percent premium over the New York Stock Exchange quote when final terms are set Thursday. The bonds carry a coupon of 12 1/2 percent.

• The Industrial Bank of Japan offered \$20 million of four-year floating rate certificates of deposit with interest set at 3/16 point over the six-month London interbank rate for the first three years and dropping to 1/4 point over Libor in the final year. IJB can call the issue at the end of the third year.

• The Bahrain Arab African Bank sold \$40 million of four-year floating rate CDs with interest set at a quarter-point over the six-month Libor.

The better trend of the New York bond market, which helped stave off market price of dollar Eurobonds by up to two points, was reflected in the prices of non-callable notes, which were offered at par bearing a coupon of 15 1/4 percent. Announced Friday morning, Nippon Credit was so out by afternoon.

At the other extreme, bankers had "nothing" but praise for Deutsche Bank's pricing on issues for the World Bank and Ontario Hydro, both triple-A credits. As well received were Nippon Credit's \$80 million of seven-year non-callable notes, which were offered at par bearing a coupon of 15 1/4 percent. Announced Friday morning, Nippon Credit was so out by afternoon.

The World Bank sold \$250 million of five-year paper and \$15 million of six-year notes with both carrying a coupon of 15 percent and an issue price of par. The five-year issue was quoted Friday at 99 9/16 bid-100 1/4 offered, while the six-year paper was quoted at 99 15/16.

Ontario Hydro offered \$150 million of 10-year bonds at par bearing a coupon of 15 percent. The terms were considered aggressive, but the issue ended the week quoted at a respectable 99 9/16.

Four additional issues, each for \$75 million, were offered by Canadian borrowers — an unfortunate bunching as analysts claim there is a strong aversion to Canadian paper at this time. They say investors are concerned about the ramifications of Dome Petroleum's financial plight and, more generally, uneasy about the state of the Canadian economy.

The overupply of Canadian paper, which is contributing to weakening the price of the new issues, "is not helping the image of Canada in the market," a lead manager confided.

Nova Scotia's seven-year issue and New Brunswick's five-year paper were both offered at par bearing a coupon of 15 1/4 percent.

Bankers said that the terms of these single-A rated notes compared unfavorably with those of the World Bank. Nova Scotia was quoted two points below the offered price and New Brunswick ended the week at a discount of 14 1/4 points.

Newfoundland, a BAA credit, fared the worst. It is offering eight-year paper bearing a coupon of 15 1/4 percent with pricing to be fixed on Friday. It was quoted on a when-issued basis at a discount of 21 1/4 points.

Canadian Pacific Securities, a single-A credit, offered a coupon of 15 percent on seven-year paper issued at par. It was also quoted at

diversity of its business, both by product line and geographically, now finds itself with problems almost everywhere. The troubles come at a time when it already has its hands full with competition from Japanese and European tractor makers, particularly Japan's Komatsu.

What has happened is that Caterpillar's international and energy equipment businesses, which had been offsetting declines in its domestic construction equipment lines, have turned sour as the recession has hit the rest of the world and declining prices have slowed oil exploration and production.

Mr. Morgan said, "The economy has gone to hell, really."

Despite its reputation on Wall Street for conservative, sharp management, Caterpillar did not expect the downturn. Its projections were for rebounds in its primary markets in the second and third quarters this year.

Mr. Morgan said, "This year is turning out to be quite a different year than we had expected to be."

That Caterpillar avoided disaster as long as it did is a tribute to its diversity.

Although the company is best known for its ubiquitous yellow bulldozers, it makes a variety of other products that in the past have protected it

(Continued on Page 9, Col. 2)

## Bond Yields Rise on M-1 Report

By Michael Quint

*New York Times Service*

**NEW YORK** — The smaller-than-expected drop in the basic U.S. money supply reported Friday by the Federal Reserve disappointed many traders but was not alarming to economists.

"You can't really call this bad news," a trader said of the \$100-million decline in the M-1 money supply in the latest reporting week, "but it isn't the real positive development that some were hoping for."

Traders quickly reacted to the small money supply decline by cutting prices to the lowest levels of the day for short- and long-term Treasury issues. By late in the day, three-month Treasury bills were bid at 10.35 percent, up from 10.3 percent before the Fed's announcement, while six-month bills rose about an eighth of a percentage point, to 11.15 percent.

Price declines were greatest for Treasury notes and bonds, where the new 13 1/4 percent notes due in two years fell 4 1/4 point, to an offered price of 100.2 to yield 13.11 percent, while the 14 percent bonds due in 2011 fell almost half a point, to an offered price of 105 1/2 to yield 13.28 percent.

The lowest price for the long-term Treasury bond was 104 7/8 soon after the money supply announcement.

Economists had estimated that M-1 would fall about \$1.5 billion in the week ended July 14, and some traders were hoping that a decline of that magnitude would be followed by additional declines in short-term interest rates.

One reason why economists and others took the money supply data in stride is that the \$451.7 billion level of M-1 is still within the path

New York said the money supply news "was neutral at a time when a lot of traders were waiting for a big decline that would push prices even higher."

He added, "There are sizable positions on the Street that are waiting for a chance to sell before the refunding."

The refunding he referred to is an early August refinancing where the Treasury is expected to sell more than \$9 billion of securities to redeem about \$4.25 billion of maturing notes and raise new cash.

"I would expect slightly higher overnight rates next week," Mr. Marrone said.

Despite the alarm of some trad-

ers, Cengiz Israfil, a money market economist at Morgan Guaranty Trust, noted that M-1 was still within the Fed's annual growth target despite estimates earlier this year that it would be above target following an early July bulge.

"In the context of Volcker's re-

marks, I don't see any problem,"

from the latest money supply data,

Mr. Israfil said. Paul A. Volcker, chairman of the Federal Reserve Board, has testified in Congress that the Fed would tolerate temporary bulges in money supply even if they put M-1 above its growth target.

The big question is whether the markets have anticipated too much" easing in the Fed's monetary policy, Mr. Israfil said.

Nicholas Marrone, a money market economist at the Bank of

## CURRENCY RATES

Interbank exchange rates for July 23, excluding bank service charges.

	U.S.	E.	D.M.	F.F.	LL.	G.M.	S.F.	D.L.
Amsterdam	2,6565	4,682	710,52	30,72	0,1951	5,804	131,10	31,90
Brussels (3)	45,84	80,472	19,085	4,6572	3,9725	77,222	22,44	5,972
Frankfurt (3)	4,00	6,425	—	1,799	—	5,241	130,81	32,81
London (3)	1,2115	2,4294	—	3,2522	2,5224	4,6709	121,70	30,567
Milan	1,38205	2,72320	52,230	201,39	—	50,647	20,478	44,501
New York	—	1,774	0,418	0,1597	0,0774	0,276	0,028	0,1199
Paris	6,48	11,778	270,82	—	4,949	251,47	33,015	—
Zurich	2,0265	3,9742	44,395	—	0,1932	76,496	4,4395	10,205
TECU	1,0913	1,9566	2,3357	0,5572	120,82	2,6025	44,955	1,7771
TSDR	1,16294	2,0244	2,4495	—	7,374	140,92	2,7034	9,2022

\* Sterling: 1,2300 Irish £.

(a) Commercial francs. (b) Amounts needed to buy one pound. (\*) Units of 100. (x) Units of 1,000.

## EEC Reverts to Joint Strategy To End Steel Crisis With U.S.

Compiled by Our Staff From Dispatches

**BRUSSELS** — European Economic Community governments have agreed to present Washington with a joint strategy within the next two weeks aimed at resolving a bitter trade conflict over steel exports.

Ministers from the 10 member states on Saturday gave the community's Executive Commission an exclusive mandate to seek a solution to the dispute, provoked by U.S. measures against what it sees as illegally subsidized West European steel exports.

But diplomats said Sunday the EEC Commission, which has said the community must retain over six percent of the U.S. steel market, would be hard pressed to beat the U.S. 6 percent.

Mr. Davignon said the EEC

"conclusions Europe will form on its relations with America."

The EEC strategy is aimed at getting the Reagan administration to lift special duties on steel imports from seven European countries.

In return the Europeans would be willing to limit their exports to reduce their share of the U.S. steel market below its current level of 6.5 percent.

(Continued on Page 9, Col. 1)

## New Economist at State Is Old Friend of Shultz

*New York Times Service*

**WASHINGTON** — After the tumultuous tenure of Alexander M. Haig Jr., the State Department has been placed in the hands of a group of men noted for their calm, conservative and self-assured authority.

Probably no one personifies the personality shift on the seventh floor at Foggy Bottom more than W. Allen Wallis, the economist and chancellor of the University of Rochester, New York, who has been named undersecretary of State for economic affairs.

Mr. Wallis, 69, is a longtime friend and colleague of his new boss and fellow economist, Mr. Shultz.

Like Kenneth W. Dam, the University of Chicago provost who was Mr. Shultz's choice as deputy secretary of State, Mr. Wallis is expected to provide the administrative experience and, above all, the personal loyalty that Mr. Shultz will need in order to dominate the State Department.

These qualities, rather than any particular ideological bent, are probably the most important factors in Mr. Wallis's appointment.

Milton Friedman, the economist, who has known Mr. Wallis since the two were graduate students together at the University of Chicago in 1933-34, said, "Shultz is bringing in people he has respect for and whom he can work with constructively, rather than someone who will go off on their own tack."

According to State Department sources, Mr. Wallis was approached about the position of undersecretary months ago.

Ernest Lefever, president of the Washington-based Ethics and Public Policy Center and a State Department consultant, said, "I think he would have gotten the job even if Haig had remained



## Supply-Side Exodus Is Nearly Total

### Shultz Arrival Underlines Return to Traditional Policy

By Ann Crittenden  
New York Times Service

WASHINGTON — The newsletter sent out this month by the Council for a Competitive Economy, a libertarian business organization in Washington, was unequivocal: "It is sadening and bodes ill that the cream of Reagan's administration is leaving or has already left," it said.

The roll call of presidential advisers who have left, the editor hinted, is a clue that the administration "is simply another disappointing detour on our road to salvation."

Though more outspoken than most, this lament is heard widely in right-wing circles in Washington, and has to do with the exodus of most, if not virtually all, of the supply-side economic theorists who rode into power with Ronald Reagan a year and a half ago.

The list does not, however, include the departure announced Thursday of Murray L. Weidenbaum, chairman of the Council of Economic Advisors.

Mr. Weidenbaum, who will return to teaching, is a garden-variety conservative. The supply-siders who left ahead of him were not.

None, in the past six months, are Martin Anderson, the president's domestic policy adviser described as Mr. Reagan's principal conservative theorist, as well as Norman B. Ture and Paul Craig Roberts, the under-secretary and assistant secretary of the Treasury, respectively, and Steven H. Hanke, a senior economist from the Council of Economic Advisors.

Unlike traditional conservatives, all were associated with an ideological commitment to stimulating

the economy through tax cuts, a goal that took precedence over concern about the deficit's size.

They also advocated, like almost everyone in the Reagan administration, shrinking the government's size.

Their departures have prompted some to think that the administration has reached an intellectual watershed, underlined by the arrival as secretary of state of George P. Shultz, former labor secretary, Treasury secretary and budget director during the Nixon administration.

Economic policy has been returned to traditional conservatives, officials who are managers and pragmatists rather than theorists.

Mr. Hanke, who has returned to a teaching post at Johns Hopkins University, said, "What you have now in the White House is the Nixon-Ford administration without Nixon or Ford."

There remains, of course, Mr. Reagan, who may be the last ardent supply-sider left in the White House.

He fought longest and hardest to protect the integrity of the supply-siders' greatest achievement, the three-year cut in federal income taxes legislated last summer.

He has refused repeatedly to delay the third installment of the tax cut scheduled for 1983, clinging to the hope that it, along with other tax changes introduced last year, will generate a buoyant recovery.

The top economic policymakers in the administration today, including Treasury Secretary Donald T. Regan, budget director David A. Stockman and now Mr. Shultz, are more attuned to orthodox Republican economics than to radical experiments in wiping taxes off the

books and reducing the size of government.

They think balancing the budget is an important policy objective and do not mind raising taxes to help get there.

#### Public 'Betrayed'

Mr. Ture, who went to the Heritage Foundation, a conservative research group, said that the current effort to raise revenues is a betrayal of what the public said it wanted in electing Mr. Reagan.

The revenue increases that Congress is considering now, he said, "will do nothing more than fund additional government outlays and reduce incentives for savings and investment."

Kevin P. Phillips, a commentator who recently published a book questioning the Reagan economic program, said, "We're seeing the Nixon-Ford administration without Nixon or Ford."

From now on we'll see a moving away from the experimentalists and a lurching back toward Alan Greenspan-Herb Stein-George Shultzism, an Stein-George Shultzism, although any traditional approach has to be temporary in the kind of world we're in."

A key economic official, who asked not to be identified, described the resignations slightly differently.

He said, "Realism is replacing the euphoria of the post-inaugural period."

The last big policy victory by a supply-sider, apparently, was in January, when the president said no new excise taxes would be imposed.

Mr. Anderson, alone among the president's advisers had argued against new taxes.

He resigned shortly after that



Martin Anderson

...quit after victory

## Italian Inaction Angers Eurobankers

By Carl Gewirtz  
International Herald Tribune

PARIS — Temps flared last week as Eurobankers privately began threatening to boycott future loans to Italian borrowers and to cut existing lines to Italian banks unless the Italian authorities prod the domestic banking consortium seeking to save Banco Ambrosiano to extend its ministrations to Banco Ambrosiano Holdings.

Even central bankers were outraged.

"I have much understanding for the Bank of Italy when it does not give a formal guarantee for a holding company," Fritz Leiwiler, president of the Swiss National Bank, said in a telephone interview. "What I do not understand is that they said, more or less, that they couldn't care less. That goes too far."

"I'm still hoping that the Bank of Italy will come back to form a decision, perhaps when it's clear what the commitments really are, and what the assets are..."

BAH, a Luxembourg-based holding company in which Ambrosiano directly holds 70 percent, is currently in the hands of a Luxembourg court-appointed administrator. At the last tally in June 1981, BAH owed some \$540 million in medium-term debts to an array of banks believed to number more than 250. Officials believe that the figures have not changed substantially since then.

#### Thrown into Default

These loans were all thrown into default when Midland Bank on July 12 declared default on the \$40-million loan for which it is agent when it failed to receive payment of interest and principal.

The Bank of Italy argues that BAH is a financial holding company, not a bank, and therefore not covered by the so-called Basel Concordat, a 1974 statement of principle by leading central banks on how to divide supervisory responsibility of banks operating principle.

The arrival of Mr. Shultz, whose experience and stature in economic policymaking dwarf that of anyone else in Washington, will add another weighty voice to the chorus of prudence.

Mr. Shultz, who has been one of the president's chief economic advisers from outside government since before the election, is expected to support scheduled tax cuts enacted last year.

But colleagues say that he does not share the supply-siders' nonchalance about deficits, and would like to see, among other things, more revenue raised from energy sources.

sion that obviously needs to be remedied.

Because it is a holding company and not a bank, BAH did not fall under the supervisory authority of the Luxembourg Banking Commission. But the Bank of Italy's attitude to BAH has created considerable consternation among central bankers as to the spirit of the Basel Concordat.

Tote is said to be on the verge of collapse and some bankers are complaining that the former Labor government always stood behind any company in which it had a shareholding while the current Conservative government insists it is no different from any other shareholder and will not take the brunt of Tote's bad management.

Despite the threats of commercial bankers, dealers active in the deposit market insist they have seen no evidence of any backlash against Italian banks.

#### SYNDICATED LOANS

And this week, on Thursday, bankers will have a chance to discuss the situation with the administrators of the parent Milan bank at a meeting in London scheduled to start at 3 p.m. That late start is obviously designed to keep the meeting short and sweet.

What is irritating bankers is not so much the money involved — it amounts to a relatively insignificant \$2.2 million each on average — but rather the shattering of some cherished assumptions which, if not repaired, could have vast nasty repercussions on the hundreds of billions of dollars of other Euromarket loans.

The common element of these assumptions is that perceived moral obligations are as good as legal undertakings — a view that may be contributing generally to blurring bankers' assessments of creditworthiness.

One such assumption is that lending to a subsidiary, a separate legal entity, is as good as lending to a branch, an integral part of the parent bank, because the subsidiary bears the same name as the parent.

Another assumption is that "letters of comfort," which express a commitment to support or stand behind an undertaking are as good as guarantees that can stand up in a court of law.

Bankers' belief in moral obligations led them to overleverage in Eastern Europe in the confident expectation that the Soviet Union would never let any of its satellites mar the financial standing of the bloc. That myth was shattered last year, when Poland was forced to reschedule its 1981 debt. But the lesson of that experience was obviously not generalized.

Some bankers say the fury of BAH's creditors is aimed at putting maximum pressure on Italy to get the full cooperation of the Vatican in sorting out Ambrosiano's problems. The Vatican's bank, which is said to have given letters of comfort for loans to Ambrosiano's Latin American units, was associated with Michele Sindona whose Franklin National Bank in the United States and Banca Privata in Italy collapsed in the 1970s.

Others say the ferocity of the outcry is a reflection of bankers' increasing nervousness about the

overall credit and economic climate.

Bankers are also getting vexed with the Norwegian government, which has a 26-percent shareholding in Tote Cenfusio and an 88-percent stake in Sydvanger, an iron ore mining operation in the far north of the country.

Tote is said to be on the verge of collapse and some bankers are complaining that the former Labor government always stood behind any company in which it had a shareholding while the current Conservative government insists it is no different from any other shareholder and will not take the brunt of Tote's bad management.

Despite the threats of commercial bankers, dealers active in the deposit market insist they have seen no evidence of any backlash against Italian banks.

New Zealand's Wool Board, a government agency, is seeking \$100 million for five years with interest set at a quarter-point over the interbank rate for the first 42 months and 1/4 point over thereafter.

Australian Consolidated Industries will be seeking \$300 million for eight years.

Nigeria is seeking \$360.9 million to finance a railway project. The export guarantee agency of Italy is guaranteeing \$80 million of the loan and the U.K. export agency is guaranteeing \$74.8 million. The margin on the \$206.1-million Eurocredit is 1/4 point over Libor. But banks are offered a hefty 3 1/4 percent commission on this loan.

Detroit Edison is seeking \$60 million, offering to pay 1/4 point over Libor for the first four years and 1/4 point over in the final three years. Front-end fees range from 1/4 to 1/4 percent.

Manufacturers Hanover Trust expects to make an official loan proposal to Hungary this week. Eleven banks have agreed to underwrite \$20 million each and the four U.K. clearers have each agreed to underwrite \$10 million. The total is expected to reach \$300 million by the time the loan is actually in the market with the addition of two Japanese banks.

Portugal's postal and telephone system Correios e Telecomunicações de Portugal is expected to be in the market for up to \$100 million. Terms are expected to match those of other recent state borrowings — an eight-year maturity with interest set at 1/2 point over the interbank rate for the first six years and 1/4 over for the final two years.

Argentina, which has not yet decided whether it will seek the help of the International Monetary Fund in restructuring its finances, is approaching banks for preliminary talks on rescheduling its debt and establishing a new line of credit. Jamaica, which has rescheduled its debt, is currently sounding out banks for a new loan.

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9 1/4% Bonds due 15th July 1986  
NOTICE IS HEREBY GIVEN to bondholders that U.S.\$1,250,000.00 nominal amount of the above issue was purchased in the market by Bowater Corporation PLC in the period ending 12th July 1982. In respect of the purchase period to 15th July 1982.  
BOWATER CORPORATION PLC  
Bowater House, Knightsbridge  
London SW1X 7LR  
July 1982

## EEC Seeking New Talks on Steel

(Continued from Page 7)  
would pursue an attempt to have the steel duties ruled illegal by the General Agreement on Tariffs and Trade, the international commercial system.

Under U.S. law, the European steel-producing countries could have stopped the duties from going into effect by reaching bilateral agreements with the United States before midnight Saturday.

Only Britain made a strong push for a bilateral agreement. Although all the ministers agreed to the exclusive mandate, Britain said it planned to continue efforts to reach a private solution with Washington.

West Germany's state secretary for industry, Otto Schleicht, said the exclusive mandate given to the commission was a clear political move to give it a firm basis from which to negotiate.

The commission would now work out technical details of its strategy with community experts and members of the loss-making steel industry, he said.

It would also start technical discussions with U.S. officials that would end by Aug. 6, by which time the community hoped to find a solution.

But it was not clear how differences over the U.S. market share and whether or not to include

pipes and tubes in a deal would be bridged.

Diplomats said the offer of a longer arrangement running until the end of 1985, the inclusion of special steels in any deal and limits on concessions on market shares were among new elements the community was likely to use in an overall settlement.

With a shrinking steel market underlying the conflict, some industry executives believe that a deal acceptable to both Europe and the United States cannot be worked out. Kari Thöle, sales director for West German steelmaker Klöckner, has said only an economic recovery could ease the situation.

The planned U.S. import duties, due to take effect Aug. 24, would cost European steelmakers millions of dollars.

## Cat Fights to Get Back on the Tracks

(Continued from Page 7)

when the domestic construction business slumped.

It has been particularly active in energy equipment, with products used in oilfield construction and development, and diesel engines that power remote drilling and production facilities.

More importantly, the company does more than half its business overseas, where its construction equipment is a basic need of developing countries. Last year, 56.6 percent of Caterpillar's record \$9.15 billion sales came from overseas.

John McGinty, an analyst at First Boston, estimated that demand for Caterpillar products overseas has dropped as much as 25 percent in the 1982 first half.

Stocks Reduced

Similarly, demand for Cat equipment in oilfields has slumped as sagging oil and gas prices have forced oil companies to shrink their development budgets and oil-rich countries to scale back their modernization plans, cutting demand for Caterpillar earthmovers.

Mr. Morgan said, "We don't

have some offsetting geographical areas or product application areas that have sort of propped up our business as they have in the past."

Caterpillar officials have been working hard to tailor costs to the lower sales levels. Capital expenditures for 1982, originally pegged at \$750 million, have been reduced to \$600 million and the company has also moved to reduce inventories.

But Caterpillar's most visible cuts have come in its employment rolls.

In February, the company had only about 3,000 employees on indefinite layoff; subsequent layoffs, including the next round this fall, will put the total at 18,500 workers, most of them in Illinois, where Cat is the largest private employer.

Industry analysts give the company high marks for moving quickly to deal with its problems.

Mr. McGinty said, "They've done a magnificent job of cutting back on their costs, fixed and variable, and done an extremely good job of avoiding losses."

"Most companies with that kind of drop in demand would be losing money."

Analysts believe that Caterpillar's lackluster \$9.7 million, 11-cent-a-share profit in the second quarter, a 94 percent drop from the year-ago quarter, is not indicative of future earnings, even though per share earnings this year will drop to about \$1.50 from last year's record \$6.44.

Eli Lustigman, an analyst at Paine Webber, who is predicting 1983 profits of \$4.50 a share, said, "Cost-cutting and other things will make things look better in the second half."

Mr. McGinty said, "They could recover to \$3 or \$4 in 1983 without a big change in demand."

Mr. Morgan is confident that Caterpillar will come back strongly once interest rates subside and the world economy improves.

He said, "I remain optimistic about the fundamental needs which our company's products serve: energy, transportation, food and water, industrial development and things of that kind."

Even if the markets do not come back for years, Mr. Morgan said, Caterpillar could keep operating profitably, although it eventually might have to make some permanent cuts in its size.

This announcement appears as a matter of record only

U.S. \$35,000,000

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Sales In: Net

100s High Low Last Chg.

ABF Corp. 1,602 2016 2016 2016-19

ABG 100 954 954 954 954-10

AGCO 100 954 954 954 954-10

AGFCO 100 954 954 954 954-10

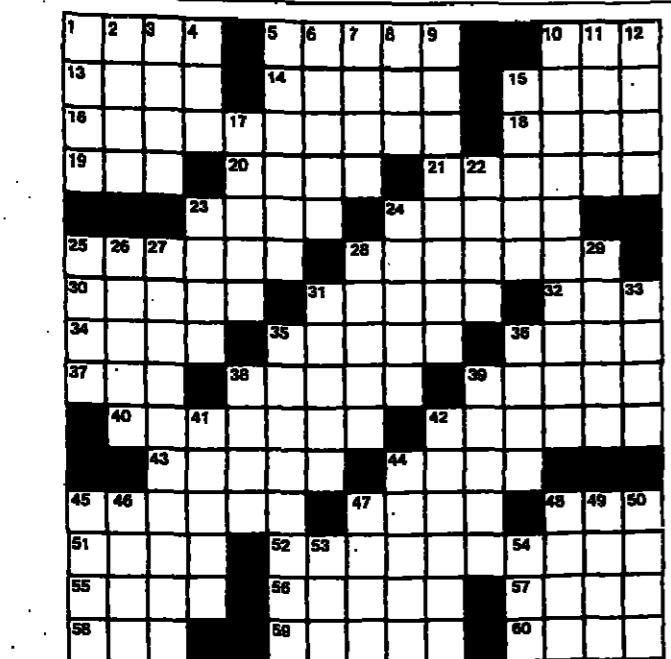
AMCO 100 954 954 954 954-10

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## CROSSWORD



## ACROSS

1 A hero of '76  
5 Evergreen  
10 Road or sand follower  
13 G.I. offense  
14 Have origin  
15 Capital of Fiji  
16 Trickery; mischief  
18 Russia's Mrs.  
19 Affirmative  
20 Church section  
21 One's bean  
23 Corner  
24 Peninsula  
25 Under control  
28 Scraps from k.p. work  
30 Clever acts  
31 John Wayne film  
32 High points  
34 Raison d'—  
35 Is tested  
36 French cheese  
37 Andrea — Sarto  
38 Le Havre hat  
39 Military unit  
40 Rulers  
42 Thespian  
43 Sac  
44 Soviet sea

45 Professor's offering  
47 Iowa college town  
49 Sweep  
51 Melodies  
52 Inspired  
55 Map item  
56 Roman magistrate  
57 Marie Curie was one  
58 A loser at Waterloo  
59 Given treatment of a sort  
60 Santa's largess

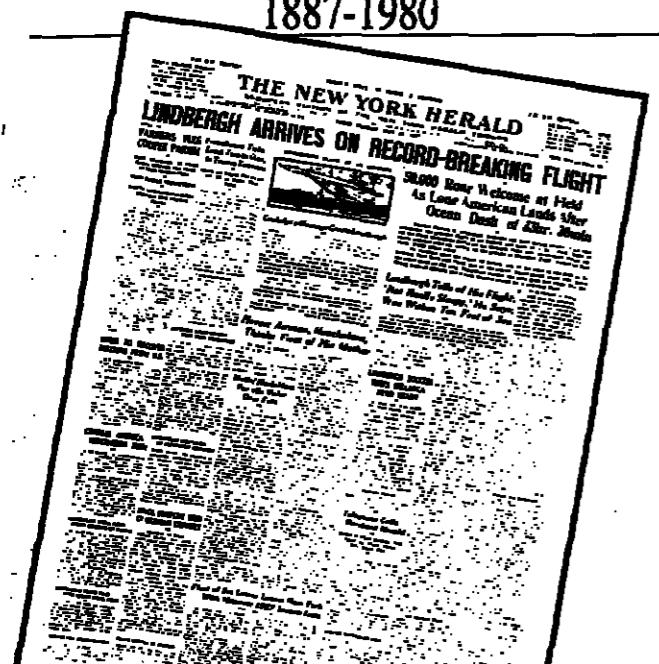
17 Tall tales  
22 Mixture  
23 Record  
24 "Déjeuner sur l'herbe" painter  
25 — tea  
26 Observed  
27 Commotion  
28 Pursuit  
29 Village high point  
31 Azores seaport  
33 Farsighted fellow  
35 Diminished  
36 Jezebel's god  
38 Lieutenant's insignia  
39 Embrace  
41 Clinic worker  
42 — upon (weighed heavily)  
44 Walk slowly  
45 Third person  
46 Creel's river  
47 He wrote "One Fat Englishman"  
48 Melville novel  
49 In a competent manner  
50 Phryne display  
53 Trouble  
54 Skillful

## WEATHER

	HIGH	LOW		HIGH	LOW		
ALGARVE	26 71	21 41	Fair	LOS ANGELES	21 C F C	Fair	
ALGERIA	31 88	28 48	Fair	MADRID	30 84	16 41	Fair
AMSTERDAM	17 63	13 55	Overcast	MANILA	30 84	22 72	Overcast
ANKARA	20 84	13 52	Fair	MEXICO CITY	25 75	13 55	Cloudy
ATHENS	21 71	22 72	Fair	MILAN	21 81	16 41	Fair
AUCKLAND	23 91	26 79	Overcast	MONTREAL	22 84	17 51	Fair
BANGKOK	24 79	19 64	Fair	N.A.	19 64	13 55	Showers
BEIRUT	25 72	26 79	Overcast	MOSCOW	19 64	15 59	Cloudy
BELGRADE	27 81	17 42	Cloudy	MUNICH	22 72	15 59	Cloudy
BERLIN	27 81	17 42	Cloudy	NAIROBI	22 72	15 59	Cloudy
BESTWICK	29 72	15 59	Overcast	MASSAU	22 72	15 59	Rain
BRUSSELS	31 88	19 44	Cloudy	NEW DELHI	31 84	23 73	Overcast
BUCHAREST	27 70	19 44	Showers	NEW YORK	31 84	23 73	Overcast
BUDAPEST	31 88	19 44	Fair	NICARAGUA	22 84	19 44	Fair
BUENOS AIRES	11 52	20 48	Fair	OSLO	21 78	14 57	Overcast
CAGAYAN DE ORO	30 94	19 44	Fair	PARIS	21 78	14 57	Cloudy
CAPETOWN	26 79	19 44	Overcast	PEKING	22 75	18 44	Cloudy
CASABLANCA	32 98	19 44	Fair	PRAGUE	22 75	17 43	Cloudy
CHICAGO	24 75	19 44	Cloudy	STOCKHOLM	22 75	17 43	Cloudy
COPENHAGEN	24 75	19 44	Fair	SYDNEY	12 55	7 45	Cloudy
COONTAHLIL	22 72	18 44	Foggy	TAIPEI	32 93	23 75	Cloudy
DAMASCUS	29 68	11 52	Overcast	TEL AVIV	22 72	21 70	Fair
DUBLIN	30 68	11 52	Overcast	TIRO	22 72	20 68	Showers
EDINBURGH	26 88	13 58	Overcast	WINDHOEK	22 72	22 72	Fair
FLORENCE	24 75	17 43	Cloudy	BOME	22 72	15 59	Fair
FRANKFURT	24 75	17 43	Cloudy	SAO PAULO	22 72	15 59	Cloudy
GIBRALTAR	16 41	13 58	Cloudy	SEOUL	22 72	15 59	Cloudy
HAKONE	22 73	9 48	Cloudy	SHANGHAI	22 72	15 59	Cloudy
HELSINKI	23 73	9 48	Cloudy	ST. PETERSBURG	22 72	15 59	Cloudy
HONG KONG	33 71	29 79	Fair	STOCKHOLM	22 72	15 59	Cloudy
HOUSTON	36 77	23 73	Cloudy	SYDNEY	12 55	7 45	Cloudy
ISTANBUL	31 88	24 78	Fair	TAIPEI	32 93	23 75	Fair
JERUSALEM	30 84	19 44	Fair	TEL AVIV	22 72	21 70	Fair
LAS PALMAS	27 81	19 44	Overcast	TOKYO	22 72	20 68	Showers
LIMA	28 84	19 44	Fair	WINDHOEK	22 72	22 72	Fair
LISBON	27 81	19 44	Overcast	YOKOHAMA	22 72	20 68	Showers
LONDON	22 72	14 51	Fair	ZURICH	14 61	14 51	Rain

Readings from the previous 24 hours.

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## JUMBLE

That Scrambled Word Game by Henn Arnold and Bob Lee

TALME

How does he do it?

GENUB

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

LAIVES

How to go with-out sleep for seven days and not be tired.

POSHIN

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

ANSWER:

(Answers tomorrow)

Saturday's Jumble: CHEEK HASTY BYWORD SICKEN

Answer: Call your broker, and you usually get this — A "STOCK" ANSWER

## DENNIS THE MENACE

7-26

Kazan

## SPORTS

# Hinault Captures Tour de France But Gains Few Friends En Route

By Samuel Abo

*New York Times Service*  
PARIS — Bernard Hinault easily won the Tour de France here Sunday, his fourth victory in five years of competition in the world's most prestigious bicycle endurance race, and answered complaints that he was riding colorlessly by also capturing the final stage in a sprint finish.

The overall triumph by the 27-year-old Frenchman had been virtually certain since he took the lead on July 14, so certain that he has been criticized since then for a lack of panache — the flair needed to enliven what has generally been a dull race.

On Sunday morning, the *Journal du Dimanche*, a leading newspaper, asked why Hinault had not displayed panache, "the red cherry atop the mountain of whipped cream." Hinault responded by sprinting into the lead in the final 100 yards on the Champs-Elysées and holding off the rest of the pack, all furiously seeking the last victory possible after Daniel Willemans of Belgium won the penultimate stage on Saturday.

Afterward, still breathless, Hinault was asked if he had won for the sake of panache. Predictably, he denied it. "I won because I didn't have the right to lose," he said.

Hinault, who races for the René Gérard team, finished in an overall elapsed time of 92 hours 8 minutes 46 seconds since the 2,188-mile contest (3,500 kilometers) began July 2. Of the 169 riders who set out from Basel, Switzerland, 125 made it here.

Second in the overall finish, 6 minutes 21 seconds behind, was Joop Zoetemelk, a 36-year-old Dutchman with the Coop Mercier team. This was the sixth time Zoetemelk has finished second in the Tour de France, including three times behind Hinault. Zoetemelk began July 2. Of the 169 riders who set out from Basel, Switzerland, 125 made it here.

Second in the overall finish, 6 minutes 7 seconds behind Hinault, was Johan van der Velde, a Dutchman with the Raleigh team. Peter Wimmen, a Dutchman with the Capri Sonne team, was fourth and Phil Anderson, an Australian with the Peugeot team, was fifth.

Among other honors gained in this 69th Tour de France, Sean Kelly, an Irishman with the Sem Loire team, won the points championship and the sprint competition. Bernard Vallet, a Frenchman with La Redoute, took the mountain climbers' championship and Anderson was the top-rated racer under the age of 24.

Anderson led the race for the first week and a half, all across fine terrain, as Hinault stayed close behind. His team's strategy was to avoid the early pressure of having to defend the lead against the 16 other teams.

On July 14, not far from his native Brittany, Hinault made his move. He far outdistanced Anderson in an individual time trial and moved into first place just before a week in the Pyrenees and the Alps, where most riders falter. While his competition thinned out in the mountains, Hinault consolidated his overall winning margin.

## \$20,000 Stacks

Victory brought him the major prize — a vacation studio worth about \$20,000 — in the tour's total booty of about \$350,000, most of it distributed daily to each stage's leading riders and teams. These rewards maintain interest among those racers whose overall elapsed times put them so far behind the public and the press.

Hinault's isn't very popular, that's true," Anquetil commented in the daily newspaper column he prepared during the race, answering readers' questions. "The public prefers unsuccessful heroes or those who have to give everything to win. When a champion demonstrates so outrageously, it looks bad."

"Hinault himself remains unpenitent — his nickname, The Badger, was given to him a few years ago by an opponent, Yves Hertz, because of his tenacity."

"Don't you think you're making yourself unpopular with these outbursts?" Hinault was asked. "I compete to win races, not to please."

To charges before Sunday's finish that he had not shown panache, he responded: "What good are legends? What good does it do if I win by 10 or 15 minutes instead of by six. The climbers, yesterday's champions, they had panache. But I race to last, not to finish broken. If I do it, I do it, I'm not going to kill myself. I'm not suicidal."

"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, leaving the race and causing Renzo Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rival, a friend for him because he would



Bernard Hinault

look better winning against better competition."

After criticizing the other riders in the interview, Hinault continued: "And the public is really bothering me with its remarks. It's not the public who pedals."

He later amplified this by saying, "In all other sports, the athletes are treated with more respect. With bike riders, everybody talks to us, asks for autographs, touches us up to the moment we start and from the moment we finish. This familiarity leads to sarcastic remarks, even nasty ones. All of a sudden, you've had enough."

Finally he turned to the press: "As for reporters, they wear me out with their questions."

The other riders have not answered him, except perhaps privately, but the public and the press have. Hinault has often drawn whistles during this tour. More bothersome than his critics have been his fans, who surround him at every finish, when he is gasping for air, and tend to paw him. "Some days, I ought to wear a vest with thumbtacks under my jersey, that's how I feel about slaps on the back."

As for the press, it has sometimes been brutal, especially in the French daily sports newspaper, *L'Equipe*, which described his interview as "a small masterpiece of the hateful and the stupid."

"One good thing came of it," *L'Equipe* added in an editorial. "In the eyes of the general public, Bernard Hinault is revealed for what he is: a great champion but a small man."

Since then, *L'Equipe*, the primary sponsor of the race, has kept the pot boiling most recently with a columnist's "open letter" telling Hinault that his behavior had lost him an admirer.

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"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, leaving the race and causing Renzo Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rival, a friend for him because he would

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He later amplified this by saying, "In all other sports, the athletes are treated with more respect. With bike riders, everybody talks to us, asks for autographs, touches us up to the moment we start and from the moment we finish. This familiarity leads to sarcastic remarks, even nasty ones. All of a sudden, you've had enough."

Finally he turned to the press: "As for reporters, they wear me out with their questions."

The other riders have not answered him, except perhaps privately, but the public and the press have. Hinault has often drawn whistles during this tour. More bothersome than his critics have been his fans, who surround him at every finish, when he is gasping for air, and tend to paw him. "Some days, I ought to wear a vest with thumbtacks under my jersey, that's how I feel about slaps on the back."

As for the press, it has sometimes been brutal, especially in the French daily sports newspaper, *L'Equipe*, which described his interview as "a small masterpiece of the hateful and the stupid."

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